

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other			Local Unit Name EGELSTON TOWNSHIP		County MUSKEGON
Fiscal Year End 06/30/06		Opinion Date 12/7/07		Date Audit Report Submitted to State 12/13/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES** **NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	NONE NOTED		
Certified Public Accountant (Firm Name) BRICKLEY DELONG		Telephone Number 231-726-5800		
Street Address 316 MORRIS AVE., SUITE 500		City MUSKEGON	State MI	Zip 49443
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> for Brickley De Long, P.C.		Printed Name TIMOTHY D. ARTER		License Number 10253

Egelston Township  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2007

Egelston Township

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As management of Egelston Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

Assets of the Township exceeded liabilities at the close of the fiscal year by \$7,024,275 (net assets). Of this amount, \$4,030,355 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$3,239,784 while business-type activities ended the year with \$3,784,491 in total net assets.

The Township is in the midst of sewer expansion on the western edge of the Township. Sewer service will be made available to certain residents on Apple Avenue and Brooks Road. Estimated costs for the project are \$2,280,000. The Township has issued bonds in the amount of \$1,700,000 and intends to finance the rest of the project with available cash in the Sewer Fund. The project is approximately 65% complete at year end.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township are sewer services.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories - governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Egelston Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Street Light Fund which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** The Township has an enterprise proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer operations. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund, Fire Fund, and Street Light Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2007, the Township's net assets from governmental activities totaled \$3,239,784 (47%) and \$3,784,491 (53%) from business-type activities, creating a total government-wide net assets total of \$7,024,275.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,755,417. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$3,784,491 in net assets and \$2,274,938 in unrestricted net assets.

Current assets for the governmental activities increased by approximately \$76,000 from the prior year due primarily to higher cash and investments reflecting an increase in net assets. Capital assets are down by approximately \$56,000 because depreciation exceeded capital asset additions for the year. The decrease in current liabilities of approximately \$52,000 is primarily due to the reduction of payables in the Fire Fund for equipment purchased with FEMA grant funds in the prior year and the payment of accrued retro pay.

Current assets and other assets for the business-type activities increased by approximately \$1,654,000 due to unspent proceeds from the new \$1,700,000 Muskegon County Wastewater Management – Number One Bond of 2006 and also due to assets constructed with this bond that were built for the Township's benefit but are owned by other governmental entities and are thus recorded as other assets on the Township's financial statements. Capital assets are up by approximately \$721,000 due to the completion of the Apple Avenue sewer extension project. Current liabilities are up by approximately \$412,000 from the prior year due to payables on bond projects that the Township is in the midst of. Noncurrent liabilities are up by approximately \$2,000,000 because of the bond issue mentioned above.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets and other assets	\$ 2,238,616	\$ 2,162,560	\$ 4,468,428	\$ 2,814,235	\$ 6,707,044	\$ 4,976,795
Capital assets	1,137,297	1,193,327	2,394,424	1,673,096	3,531,721	2,866,423
Total assets	3,375,913	3,355,887	6,862,852	4,487,331	10,238,765	7,843,218
Current liabilities	119,747	171,935	856,438	444,713	976,185	616,648
Noncurrent liabilities	16,382	15,540	2,221,923	221,583	2,238,305	237,123
Total liabilities	136,129	187,475	3,078,361	666,296	3,214,490	853,771

# Egelston Township

## Management's Discussion and Analysis

### Net Assets—Continued

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Net assets						
Invested in capital assets,						
net of related debt	\$ 1,137,297	\$ 1,193,327	\$ 1,509,553	\$ 1,645,678	\$ 2,646,850	\$ 2,839,005
Restricted	347,070	352,077	-	-	347,070	352,077
Unrestricted	1,755,417	1,623,008	2,274,938	2,175,357	4,030,355	3,798,365
Total net assets	\$ 3,239,784	\$ 3,168,412	\$ 3,784,491	\$ 3,821,035	\$ 7,024,275	\$ 6,989,447

The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows changes in net assets.

### Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 148,008	\$ 147,059	\$ 388,448	\$ 390,972	\$ 536,456	\$ 538,031
Operating grants and contributions	18,472	15,000	-	-	18,472	15,000
Capital grants and contributions	2,832	69,741	39,900	22,550	42,732	92,291
General revenues						
Property taxes	879,024	839,180	-	-	879,024	839,180
Franchise fees	41,674	33,741	-	-	41,674	33,741
Grants and contributions not restricted	744,170	767,012	-	-	744,170	767,012
Unrestricted investment earnings	86,487	61,176	111,719	72,844	198,206	134,020
Miscellaneous	33,118	36,046	-	-	33,118	36,046
Total revenues	1,953,785	1,968,955	540,067	486,366	2,493,852	2,455,321

# Egelston Township

## Management's Discussion and Analysis

### Change in Net Assets

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2007	2006
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	\$ 745,709	\$ 771,625	\$ -	\$ -	\$ 745,709	\$ 771,625
Public safety	876,183	785,962	-	-	876,183	785,962
Public works	164,681	149,947	-	-	164,681	149,947
Community and economic development	14,083	26,541	-	-	14,083	26,541
Culture and recreation	81,757	72,106	-	-	81,757	72,106
Sewer Fund	-	-	576,611	476,430	576,611	476,430
Total expenses	<u>1,882,413</u>	<u>1,806,181</u>	<u>576,611</u>	<u>476,430</u>	<u>2,459,024</u>	<u>2,282,611</u>
Change in net assets	71,372	162,774	(36,544)	9,936	34,828	172,710
Net assets - Beginning, as restated	<u>3,168,412</u>	<u>3,005,638</u>	<u>3,821,035</u>	<u>3,811,099</u>	<u>6,989,447</u>	<u>6,816,737</u>
Net assets - Ending	<u>\$ 3,239,784</u>	<u>\$ 3,168,412</u>	<u>\$ 3,784,491</u>	<u>\$ 3,821,035</u>	<u>\$ 7,024,275</u>	<u>\$ 6,989,447</u>

At year-end, on June 30, 2007, net assets increased by \$71,372 in governmental activities and decreased by \$36,544 in business-type activities. This resulted in an increase of \$34,828 government wide.

### Governmental Activities

Capital grants and contributions are down by approximately \$66,000 because the Fire Department received a FEMA grant for safety equipment in the prior year. Property tax revenue is up approximately \$40,000 due to growth in the Township. Unrestricted investment earnings are up by approximately \$25,000 because of an increase in investment rates.

General government expenses are down by approximately \$26,000 due to small decreases in several Township departments. Public safety expenses are up by approximately \$90,000 because of wage increases resulting from a new union contract in the Fire Department. Public works expenses are up by approximately \$18,000 primarily due to a significant amount of tire clean-up done in the Township related to the tire clean-up grant received from the State.



### **Business-type Activities**

Unrestricted investment earnings are up by approximately \$39,000 due to higher interest rates earned on investments and a higher cash balance due to unexpended bond proceeds. Sewer Fund expenses in the Sewer Fund increased because the Township disposed of a lift station that was not fully depreciated as part of its sewer improvement projects and also because of higher interest expense due to the new bonds for the same project.

### **Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the governmental funds reported a combined fund balance of \$2,135,250. This number represents the fund balance of \$1,731,901 in the General Fund, \$35,847 in the Fire Fund, \$341,158 in the Street Light Fund, and \$26,344 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The amount of the fund balance that is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders is \$65,467. Of the remaining unreserved fund balances, \$1,252,000 is designated for various improvements.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year 2007, the unreserved General Fund fund balance was \$1,698,281 and the total General Fund fund balance was \$1,731,901. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 146% of the General Fund expenditures. The ratio in the previous year was 140%.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund decreased by \$36,544.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget as follows:

- State intergovernmental revenues were amended from \$769,512 to \$787,984 because the Township received a tire recycling grant during the year.
- Investment earnings revenues were amended from \$30,000 to \$62,000 because of a higher return on investments due to higher interest rates.
- Other revenues were amended from \$59,575 to \$81,435 because the Township is now receiving funding from the district library for operations at its library.
- Landfill expenditures were amended from \$18,695 to \$37,197 because of the tire recycling grant referred to above.
- Library expenditures were amended from \$14,385 to \$33,264 because the Township had to make repairs to the library copula that were not budgeted for at the beginning of the year.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Licenses and permits revenue exceeded the final budget by \$20,271 because of changes to the cable franchise agreement.
- State intergovernmental revenues were under the final budget by \$25,342 because of cuts in state shared revenue.
- Other revenues were under the final budget by \$35,162 because the Township budgeted for certain rents from the library that were restructured as a result of the new funding agreement with the district library.
- Inspection department expenditures were under the final budget by \$15,998 because the Township had a position unfilled for a portion of the year.
- Payroll benefits expenditures were under the final budget by \$32,335 because the increase in health insurance was less than anticipated.
- Capital outlay expenditures were under the final budget by \$95,881 because the Township deferred budgeted vehicle purchases in the maintenance department.

# Egelston Township

## Management's Discussion and Analysis

### Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2007 totaled \$2,531,721 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Major capital asset additions during the current year included the completion of a boat launch, the purchase of a sound system for the Township board room, the completion of the Apple Avenue sewer extension, and several smaller sewer additions

	<b>Capital Assets (Net of Accumulated Depreciation)</b>					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 229,710	\$ 229,710	\$ -	\$ -	\$ 229,710	\$ 229,710
Land improvements	194,195	174,785	-	-	194,195	174,785
Buildings and improvements	415,106	437,903	12,796	13,262	427,902	451,165
Utility systems	-	-	2,342,775	1,570,803	2,342,775	1,570,803
Equipment	96,126	108,582	38,853	10,294	134,979	118,876
Office equipment	17,233	24,042	-	-	17,233	24,042
Vehicles	184,927	215,590	-	-	184,927	215,590
Construction in progress	-	2,715	-	78,737	-	81,452
<b>Total</b>	<b>\$ 1,137,297</b>	<b>\$ 1,193,327</b>	<b>\$ 2,394,424</b>	<b>\$ 1,673,096</b>	<b>\$ 3,531,721</b>	<b>\$ 2,866,423</b>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

### Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$2,383,497 consisting of general obligation bonds and compensated absences. The general obligation debt of \$348,760 is backed by the full-faith and credit of the Township.

	<b>Outstanding Debt</b>					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligations						
bonds	\$ -	\$ -	\$ 2,349,595	\$ 348,760	\$ 2,349,595	\$ 348,760
Compensated absences	32,763	31,079	1,139	3,646	33,902	34,725
<b>Total</b>	<b>\$ 32,763</b>	<b>\$ 31,079</b>	<b>\$ 2,350,734</b>	<b>\$ 352,406</b>	<b>\$ 2,383,497</b>	<b>\$ 383,485</b>

The Township's total debt increased by \$2,000,012 during the fiscal year. This increase was due to a new debt issue for Muskegon County Wastewater Management – Number One Bonds in the amount of \$1,700,000 and continued draw downs made on the new \$17.5M bond from the County offset by scheduled repayments.

Additional information on the Township's long-term debt can be found in Note G of the "Notes to Financial Statements" of this report.

### **General Economic Overview**

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 79% of the General Fund revenue sources. In fiscal 2008, state revenue sharing is expected to remain flat or decrease slightly and property tax revenues are expected to grow by 3%.

The Township is expecting to operating expenditures to increase to by the rate of inflation in the coming year. The Township has budgeted approximately \$250,000 for a new tanker for the fire department and approximately \$30,000 for sidewalk improvements. No other significant capital items are planned at this time. As part of its budget, the Township has appropriated approximately \$56,000 to transfer to the Fire Fund to support fire operations, an amount comparable to last year.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects and other variables in various stages of maturity. These include continued development in the residential and commercial sectors. The Township has also budgeted approximately \$56,000 from its Street Light Fund to make improvements to lighting on the Apple Avenue corridor. The Township is in the end stages of completing sewer expansion on Brooks Road in conjunction with a neighboring municipality. These costs are being financed from a bond issue and the Township's Sewer Fund. The Township has already completed sewer projects on Apple Avenue.

### **Requests for Information**

This financial report is designed to provide a general overview of Egelston Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Egelston Township, 5428 E. Apple Ave., Muskegon, Michigan, 49442, (231) 788-2308.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

December 7, 2007

Township Board  
Egelston Township  
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Egelston Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - ix and 26 - 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Egelston Township, Michigan's basic financial statements. The combining nonmajor funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Egelston Township  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	ASSETS		
	Governmental activities	Business-type activities	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 1,915,243	\$ 2,142,186	\$ 4,057,429
Receivables	15,109	244,944	260,053
Due from other governmental units	242,797	-	242,797
Prepaid items	65,467	3,450	68,917
Restricted assets	-	749,420	749,420
Total current assets	2,238,616	3,140,000	5,378,616
<b>NONCURRENT ASSETS</b>			
Capital assets, net			
Nondepreciable	229,710	-	229,710
Depreciable	907,587	2,394,424	3,302,011
Access rights, net	-	1,284,000	1,284,000
Bond issue costs, net	-	14,469	14,469
Special assessments receivable	-	29,959	29,959
Total noncurrent assets	1,137,297	3,722,852	4,860,149
Total assets	3,375,913	6,862,852	10,238,765
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	98,647	187,728	286,375
Due to other governmental units	4,719	539,899	544,618
Bonds and other obligations, due within one year	16,381	128,811	145,192
Total current liabilities	119,747	856,438	976,185
<b>NONCURRENT LIABILITIES</b>			
Bonds and other obligations, less amounts due within one year	16,382	2,221,923	2,238,305
Total liabilities	136,129	3,078,361	3,214,490
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,137,297	1,509,553	2,646,850
Restricted for:			
Street lights	341,158	-	341,158
Muskegon Regional Water Alliance	5,912	-	5,912
Unrestricted	1,755,417	2,274,938	4,030,355
Total net assets	\$ 3,239,784	\$ 3,784,491	\$ 7,024,275

The accompanying notes are an integral part of this statement.

Egelston Township  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2007

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 745,709	\$ 51,764	\$ -	\$ -	\$ (693,945)	\$ -	\$ (693,945)
Public safety	876,183	96,244	-	2,832	(777,107)	-	(777,107)
Public works	164,681	-	18,472	-	(146,209)	-	(146,209)
Community and economic development	14,083	-	-	-	(14,083)	-	(14,083)
Culture and recreation	81,757	-	-	-	(81,757)	-	(81,757)
Total governmental activities	1,882,413	148,008	18,472	2,832	(1,713,101)	-	(1,713,101)
Business-type activities							
Sewer	576,611	388,448	-	39,900	-	(148,263)	(148,263)
Total government	\$ 2,459,024	\$ 536,456	\$ 18,472	\$ 42,732	(1,713,101)	(148,263)	(1,861,364)
General revenues							
Property taxes, levied for							
General purposes					293,975	-	293,975
Specific purposes					585,049	-	585,049
Franchise fees					41,674	-	41,674
Grants and contributions not restricted to specific programs					744,170	-	744,170
Unrestricted investment earnings					86,487	111,719	198,206
Miscellaneous					33,118	-	33,118
Total general revenues					1,784,473	111,719	1,896,192
Change in net assets					71,372	(36,544)	34,828
Net assets at July 1, 2006, as restated					3,168,412	3,821,035	6,989,447
Net assets at June 30, 2007					\$ 3,239,784	\$ 3,784,491	\$ 7,024,275

The accompanying notes are an integral part of this statement.

Egelston Township  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2007

	General Fund	Fire Fund	Street Light Fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>					
Cash and investments	\$ 1,503,545	\$ 36,141	\$ 349,197	\$ 26,360	\$ 1,915,243
Accounts receivable	15,109	-	-	-	15,109
Due from other governmental units	242,797	-	-	-	242,797
Prepaid items	33,620	31,847	-	-	65,467
Total assets	\$ 1,795,071	\$ 67,988	\$ 349,197	\$ 26,360	\$ 2,238,616
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 12,861	\$ 2,314	\$ 8,039	\$ 16	\$ 23,230
Accrued liabilities	45,590	29,827	-	-	75,417
Due to other governmental units	4,719	-	-	-	4,719
Total liabilities	63,170	32,141	8,039	16	103,366
Fund balances					
Reserved for prepaid items	33,620	31,847	-	-	65,467
Unreserved					
Designated, reported in General Fund	1,252,000	-	-	-	1,252,000
Undesignated, reported in					
General Fund	446,281	-	-	-	446,281
Special revenue funds	-	4,000	341,158	26,344	371,502
Total fund balances	1,731,901	35,847	341,158	26,344	2,135,250
Total liabilities and fund balances	\$ 1,795,071	\$ 67,988	\$ 349,197	\$ 26,360	\$ 2,238,616

The accompanying notes are an integral part of this statement.



Egelston Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 June 30, 2007

Total fund balance—governmental funds		\$ 2,135,250
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 2,581,804	
Accumulated depreciation	<u>(1,444,507)</u>	1,137,297

Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.

Compensated absences		<u>(32,763)</u>
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Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 3,239,784</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)**  
 Governmental Funds  
 For the year ended June 30, 2007

	General Fund	Fire Fund	Street Light Fund	Other governmental funds	Total governmental funds
<b>REVENUES</b>					
Property taxes	\$ 293,975	\$ 499,985	\$ 85,063	\$ -	\$ 879,023
Licenses and permits	121,521	-	-	-	121,521
Intergovernmental revenues					
Federal	-	2,832	-	-	2,832
State	762,642	-	-	-	762,642
Charges for services	37,980	28,681	-	-	66,661
Investment earnings	71,956	-	13,754	776	86,486
Other	46,273	1,892	-	-	48,165
Total revenues	1,334,347	533,390	98,817	776	1,967,330
<b>EXPENDITURES</b>					
Current					
General government	535,328	-	-	-	535,328
Public safety	113,072	554,003	-	-	667,075
Public works	37,047	-	103,894	-	140,941
Community and economic development	12,043	-	-	-	12,043
Culture and recreation	67,372	-	-	191	67,563
Other governmental functions	364,740	-	-	-	364,740
Capital outlay	37,009	-	-	-	37,009
Total expenditures	1,166,611	554,003	103,894	191	1,824,699
Excess of revenues over (under) expenditures	167,736	(20,613)	(5,077)	585	142,631
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	61,497	-	-	61,497
Transfers out	(61,497)	-	-	-	(61,497)
Total other financing sources (uses)	(61,497)	61,497	-	-	-
Net change in fund balances	106,239	40,884	(5,077)	585	142,631
Fund balances (deficit) at July 1, 2006, as restated	1,625,662	(5,037)	346,235	25,759	1,992,619
Fund balances at June 30, 2007	\$ 1,731,901	\$ 35,847	\$ 341,158	\$ 26,344	\$ 2,135,250

The accompanying notes are an integral part of this statement.

Egelston Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2007

Net change in fund balances—total governmental funds	\$	142,631
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (93,039)	
Capital outlay	<u>37,009</u>	(56,030)

Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.		(13,545)
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		<u>(1,684)</u>
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Change in net assets of governmental activities	\$	<u><u>71,372</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township  
**STATEMENT OF NET ASSETS**  
 Proprietary Fund  
 June 30, 2007

ASSETS

		Business-type Activities - <u>Enterprise Fund</u> <u>Sewer</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$	2,142,186
Receivables		
Accounts		125,420
Special assessments		22,943
Notes		96,581
Prepaid items		3,450
Restricted assets		<u>749,420</u>
Total current assets		3,140,000
<b>NONCURRENT ASSETS</b>		
Capital assets		
Buildings		18,613
Utility system		9,178,412
Equipment		226,504
Less accumulated depreciation		<u>(7,029,105)</u>
Net capital assets		2,394,424
Access rights, net		1,284,000
Bond issuance costs, net		14,469
Special assessments receivable		<u>29,959</u>
Total noncurrent assets		<u>3,722,852</u>
Total assets		6,862,852
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		161,500
Accrued liabilities		26,228
Due to other governmental units		539,899
Bonds and other obligations, due within one year		<u>128,811</u>
Total current liabilities		856,438
<b>NONCURRENT LIABILITIES</b>		
Bonds and other obligations, less amounts due within one year		<u>2,221,923</u>
Total liabilities		<u>3,078,361</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		1,509,553
Unrestricted		<u>2,274,938</u>
Total net assets	\$	<u><u>3,784,491</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Fund  
 For the year ended June 30, 2007

	Business-type Activities - <u>Enterprise Fund</u> <u>Sewer</u>
<b>REVENUES</b>	
Charges for services	\$ 388,448
<b>OPERATING EXPENSES</b>	
Administration	31,747
Operations	311,728
Depreciation and amortization	<u>116,897</u>
Total operating expenses	<u>460,372</u>
Operating loss	(71,924)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	111,719
Connection fees	39,900
Loss on disposal of capital assets	(35,453)
Interest expense	<u>(80,786)</u>
Total nonoperating revenues (expenses)	<u>35,380</u>
Change in net assets	(36,544)
Net assets at July 1, 2006, as restated	<u>3,821,035</u>
Net assets at June 30, 2007	\$ <u><u>3,784,491</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township  
**STATEMENT OF CASH FLOWS**  
 Proprietary Funds  
 For the year ended June 30, 2007

	Business-type Activities - <u>Enterprise fund</u> <u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 385,354
Receipts from interfund services provided	2,617
Payments to suppliers	(240,745)
Payments to employees	(142,074)
Net cash provided by operating activities	<u>5,152</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital debt	1,700,000
Repayment of bond anticipation note	(243,090)
Bond issuance costs	(14,952)
Connection fees	53,277
Purchases of capital assets	(920,890)
Principal paid on capital debt	(31,882)
Interest paid on capital debt	(67,986)
Net cash provided by capital and related financing activities	<u>474,477</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>111,719</u>
Net increase in cash and investments	591,348
Cash and investments at July 1, 2006	<u>2,300,258</u>
Cash and investments at June 30, 2007	<u>\$ 2,891,606</u>
<b>Reconciliation of cash and investments to the statement of net assets</b>	
Cash and investments	\$ 2,142,186
Restricted assets	<u>749,420</u>
	<u>\$ 2,891,606</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (71,924)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization expense	116,897
Change in assets and liabilities	
Receivables, net	(477)
Prepaid items	(31)
Accounts payable	(19,634)
Accrued liabilities	(26)
Due to other governmental units	(19,653)
Net cash provided by operating activities	<u>\$ 5,152</u>
Noncash financing activities	
Assumption of additional County debt	\$ 430,305

The accompanying notes are an integral part of this statement.

Egelston Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
June 30, 2007

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 7,600
Receivables	<u>5,139</u>
Total assets	<u>\$ 12,739</u>
 <b>LIABILITIES</b>	
Due to other governmental units	\$ 5,755
Other liabilities	<u>6,984</u>
Total liabilities	<u>\$ 12,739</u>

The accompanying notes are an integral part of this statement.

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Egelston Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

Egelston Township is a municipal corporation governed by an elected seven-member Board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



Egelston Township  
NOTES TO FINANCIAL STATEMENTS—CONTINUED  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for a special property tax millage levied by the Township for the operations and capital expenditures of the fire department.

The Street Light Fund is used to account for a special property tax millage levied by the Township for the operation and maintenance of the Township's street lights.

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station, collection system and pays for access to the County's sewage treatment plant.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

Egelston Township  
NOTES TO FINANCIAL STATEMENTS—CONTINUED  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables—Continued**

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$170,341,000. The ad valorem taxes levied consisted of 1.1897, 2.8619 and 0.4869 mills for the Township's general operations, fire department operations, and street lights, respectively. These amounts are recognized respectively in the General Fund, Fire Fund, and Street Light Fund.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain cash and investments from a debt issue in the Sewer Fund that are unspent are shown as restricted because their use is restricted to construction.

**Capital Assets**

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Utility systems	20-50
Land improvements	10-20
Office equipment	5-7
Equipment	3-10
Vehicles	5-15

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Compensated Absences**

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Upon termination, employees are paid for unused vacation and sick leave under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 June 30, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to June 30, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds. The Township Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of June 30, 2007, the Township had the following investments:

<b>Investment Type</b>	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Moody's</u>	<u>Percent</u>
External investment pool	\$ 258,326	42	AAA	27.9
Negotiable certificates of deposit	107,834	130	not rated	11.6
Overnight repurchase agreements	<u>561,096</u>	<u>1</u>	AAA	<u>60.5</u>
Total fair value	<u>\$ 927,256</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>27</u>		

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of “qualified” investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township’s investments is the same as the fair value of the Pool.

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 June 30, 2007

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the Township's investments are in negotiable certificates of deposit issued by Mercantile Bank. This investment is 11.6 percent of the Township's investments and is held in the General Fund.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2007, \$2,339,359 of the Township's bank balance of \$3,139,359 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 229,710	\$ -	\$ -	\$ 229,710
Construction in progress	2,715	31,439	34,154	-
Total capital assets, not being depreciated	<u>232,425</u>	<u>31,439</u>	<u>34,154</u>	<u>229,710</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	246,370	34,154	-	280,524
Buildings and improvements	870,650	-	-	870,650
Equipment	243,579	5,570	8,600	240,549
Office equipment	104,849	-	57,102	47,747
Vehicles	912,624	-	-	912,624
Total capital assets, being depreciated	<u>2,378,072</u>	<u>39,724</u>	<u>65,702</u>	<u>2,352,094</u>

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE D—CAPITAL ASSETS—Continued**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 71,585	\$ 14,744	\$ -	\$ 86,329
Buildings and improvements	432,747	22,797	-	455,544
Equipment	134,996	18,027	8,600	144,423
Office equipment	80,807	6,809	57,102	30,514
Vehicles	697,035	30,662	-	727,697
	<u>1,417,170</u>	<u>93,039</u>	<u>65,702</u>	<u>1,444,507</u>
Total accumulated depreciation				
	<u>1,417,170</u>	<u>93,039</u>	<u>65,702</u>	<u>1,444,507</u>
Total capital assets, being depreciated, net	<u>960,902</u>	<u>(53,315)</u>	<u>-</u>	<u>907,587</u>
Capital assets, net	<u>\$ 1,193,327</u>	<u>\$ (21,876)</u>	<u>\$ 34,154</u>	<u>\$ 1,137,297</u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 78,737	\$ -	\$ 78,737	\$ -
<b>Capital assets, being depreciated:</b>				
Utility systems	8,333,082	898,510	53,180	9,178,412
Equipment	190,685	35,819	-	226,504
Buildings and improvements	18,613	-	-	18,613
	<u>8,542,380</u>	<u>934,329</u>	<u>53,180</u>	<u>9,423,529</u>
Total capital assets, being depreciated				
	<u>8,542,380</u>	<u>934,329</u>	<u>53,180</u>	<u>9,423,529</u>
<b>Less accumulated depreciation:</b>				
Utility systems	6,762,279	91,085	17,727	6,835,637
Equipment	180,391	7,260	-	187,651
Buildings and improvements	5,351	466	-	5,817
	<u>6,948,021</u>	<u>98,811</u>	<u>17,727</u>	<u>7,029,105</u>
Total accumulated depreciation				
	<u>6,948,021</u>	<u>98,811</u>	<u>17,727</u>	<u>7,029,105</u>
Total capital assets, being depreciated, net	<u>1,594,359</u>	<u>835,518</u>	<u>35,453</u>	<u>2,394,424</u>
Capital assets, net	<u>\$ 1,673,096</u>	<u>\$ 835,518</u>	<u>\$ 114,190</u>	<u>\$ 2,394,424</u>

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE D—CAPITAL ASSETS—Continued**

Depreciation expense has been charged to functions as follows:

<b>Governmental activities:</b>		
General government		\$ 37,916
Public safety		32,864
Public works		8,065
Culture and recreation		<u>14,194</u>
		<u>\$ 93,039</u>
<b>Business-type activities:</b>		
Sewer		<u>\$ 98,811</u>

**Construction commitments:**

At June 30, 2007, the Township had entered into various agreements for construction projects. Below is a summary of those agreements.

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Sewer	Sewer system expansion	\$427,000	\$ 845,711

**NOTE E—ACCESS RIGHTS**

Access rights activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Business-type activities				
Access rights	\$ 370,596	\$ 1,175,349	\$ 173,929	\$ 1,372,016
Less accumulated amortization	<u>244,342</u>	<u>17,603</u>	<u>173,929</u>	<u>88,016</u>
Access rights, net	<u>\$ 126,254</u>	<u>\$ 1,157,746</u>	<u>\$ -</u>	<u>\$ 1,284,000</u>



Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE F—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Business-type activities:</b>				
Bond issuance costs	\$ -	\$ 14,952	\$ -	\$ 14,952
Less accumulated amortization	<u>-</u>	<u>483</u>	<u>-</u>	<u>483</u>
Bond issuance costs, net	<u>\$ -</u>	<u>\$ 14,469</u>	<u>\$ -</u>	<u>\$ 14,469</u>

**Amortization**

Amortization expense has been charged to interest.

**NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Transfers:**

The General Fund transferred \$61,497 to the Fire Fund to subsidize operations.

**NOTE H—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
<b>Governmental activities:</b>					
Compensated absences	\$ <u>31,079</u>	\$ <u>52,108</u>	\$ <u>50,424</u>	\$ <u>32,763</u>	\$ <u>16,381</u>
<b>Business-type activities:</b>					
General obligations bond	\$ 348,760	\$ 2,130,305	\$ 129,470	\$ 2,349,595	\$ 128,242
Compensated absences	<u>3,646</u>	<u>4,131</u>	<u>6,638</u>	<u>1,139</u>	<u>569</u>
Business-type activity long-term liabilities	<u>\$ 352,406</u>	<u>\$ 2,134,436</u>	<u>\$ 136,108</u>	<u>\$ 2,350,734</u>	<u>\$ 128,811</u>

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE H—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**General obligation bonds:**

\$428,906 Muskegon County Wastewater Management Number One Refunding Bond of 2002; final payment of \$128,242 due July 2008; interest at 2.5%	\$ 128,242
\$628,250 Muskegon County Wastewater Management contract payable beginning in 2008; interest at 1.625%	521,353
\$1,700,000 Muskegon County Wastewater Management - Number One Bond of 2006 due in annual installments of \$31,390 to \$107,799 through November 2036; interest at rates varying from 4.25% to 5%	<u>1,700,000</u> 2,349,595
Compensated absences	<u>1,139</u> \$ <u><u>2,350,734</u></u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by sewer revenues.

The Township was in compliance in all material respects with all bond ordinances at June 30, 2007.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2007 follows:

Year ending June 30,	Business-type activities	
	Principal	Interest
2008	\$ 128,242	\$ 80,362
2009	521,000	77,156
2010	31,000	76,489
2011	33,000	75,128
2012	34,000	73,715
2013-2017	193,000	345,125
2018-2022	241,000	299,286
2023-2027	301,000	240,468
2028-2032	380,000	163,847
2033-2037	487,353	62,664
	\$ 2,349,595	\$ 1,494,240

Egelston Township  
NOTES TO FINANCIAL STATEMENTS—CONTINUED  
June 30, 2007

**NOTE I—DESIGNATED FUND BALANCE**

Unreserved fund balances designated for specific purposes as of June 30, 2007 were as follows:

General Fund	
Designated for road improvements	\$ 30,000
Designated for park improvements	182,000
Designated for equipment replacement	75,000
Designated for building/library improvements	50,000
Designated for cemetery improvements	60,000
Designated for fire department/community center	550,000
Designated for fire vehicles and equipment	280,000
Designated for other capital expenditures	<u>25,000</u>
	<u>\$ 1,252,000</u>
Sewer Fund	
Designated for future capital expenditures	<u>\$ 500,000</u>

**NOTE J—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Egelston Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 June 30, 2007

**NOTE J—OTHER INFORMATION—Continued**

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**Post-Retirement Health Care**

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were 5 retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended June 30, 2007, the Township's post-retirement health care cost under the Plan was approximately \$35,000.

**NOTE K—PENSION PLANS**

**Defined Contribution Plan**

The Township maintains a defined contribution retirement plan with John Hancock Funds, Inc. that covers all employees except volunteer firemen and seasonal employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 15 percent of the employees' gross earnings. Participants are not required to contribute to the plan. The Township contributed \$103,226 during the year ended June 30, 2007.

**NOTE L—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 56 percent of General Fund revenues.

**NOTE M—PRIOR PERIOD ADJUSTMENT**

Governmental activities; business-type activities; and the General, Fire, and Sewer funds were restated due to an adjustment to the accrued pension liability.

	General Fund	Fire Fund	Total Governmental Activities	Sewer Fund	Total Business-type Activities
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net assets/fund balance					
at July 1, 2006	\$ 1,697,602	\$ 20,011	\$ 3,265,400	\$ 3,839,436	\$ 3,839,436
Pension accrual	<u>(71,940)</u>	<u>(25,048)</u>	<u>(96,988)</u>	<u>(18,401)</u>	<u>(18,401)</u>
Net assets/fund balance (deficit)					
at July 1, 2006, restated	<u>\$ 1,625,662</u>	<u>\$ (5,037)</u>	<u>\$ 3,168,412</u>	<u>\$ 3,821,035</u>	<u>\$ 3,821,035</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

Egelston Township  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 285,443	\$ 288,201	\$ 293,975	\$ 5,774
Licenses and permits	101,250	101,250	121,521	20,271
Intergovernmental revenue - State	769,512	787,984	762,642	(25,342)
Charges for services	25,000	35,988	37,980	1,992
Investment earnings	30,000	62,000	71,956	9,956
Other	59,575	81,435	46,273	(35,162)
Total revenues	<u>1,270,780</u>	<u>1,356,858</u>	<u>1,334,347</u>	<u>(22,511)</u>
<b>EXPENDITURES</b>				
Current				
General government				
Township board	19,010	19,010	18,531	479
Supervisor	44,500	44,500	40,169	4,331
Elections	12,500	12,500	8,583	3,917
Board of review	3,300	3,300	2,643	657
Clerk	85,350	85,350	81,866	3,484
Treasurer	85,850	85,850	81,955	3,895
Assessor	47,850	47,850	37,438	10,412
Township hall	59,650	59,650	48,428	11,222
Board of appeals	3,000	3,000	756	2,244
Cemetery	24,850	24,850	23,481	1,369
Professional services	32,000	32,000	32,461	(461)
Office clerk	52,575	52,575	45,655	6,920
Maintenance	116,860	116,860	113,362	3,498
Public safety				
Inspection department	129,070	129,070	113,072	15,998
Public works				
Landfill	18,695	37,197	37,011	186
Roads	1,000	1,000	36	964
Community and economic development				
Planning	13,500	13,500	12,043	1,457
Culture and recreation				
Recreation programs and park maintenance	35,250	35,250	34,665	585
Library	14,385	33,264	32,707	557
Other governmental functions				
Payroll benefits	328,711	328,711	296,376	32,335
Insurance	45,750	45,750	42,427	3,323
Other	39,500	39,500	25,937	13,563
Capital outlay	117,450	132,890	37,009	95,881
Total expenditures	<u>1,330,606</u>	<u>1,383,427</u>	<u>1,166,611</u>	<u>216,816</u>
Excess of revenues over (under) expenditures	(59,826)	(26,569)	167,736	194,305
<b>OTHER FINANCING USES</b>				
Transfers out	(56,080)	(56,080)	(61,497)	(5,417)
Net change in fund balance	<u>\$ (115,906)</u>	<u>\$ (82,649)</u>	106,239	<u>\$ 188,888</u>
Fund balance at July 1, 2006, as restated			<u>1,625,662</u>	
Fund balance at June 30, 2007			<u>\$ 1,731,901</u>	

Egelston Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Fire Fund  
For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 501,256	\$ 501,256	\$ 499,985	\$ (1,271)
Intergovernmental revenue - Federal	-	-	2,832	2,832
Charges for services	17,650	17,650	28,681	11,031
Other	2,650	2,650	1,892	(758)
Total revenues	<u>521,556</u>	<u>521,556</u>	<u>533,390</u>	<u>11,834</u>
<b>EXPENDITURES</b>				
Current				
Public safety	572,241	572,241	554,003	18,238
Capital outlay	<u>5,395</u>	<u>5,395</u>	<u>-</u>	<u>5,395</u>
Total expenditures	<u>577,636</u>	<u>577,636</u>	<u>554,003</u>	<u>23,633</u>
Excess of revenues over (under) expenditures	(56,080)	(56,080)	(20,613)	35,467
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>56,080</u>	<u>56,080</u>	<u>61,497</u>	<u>5,417</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	40,884	<u>\$ 40,884</u>
Fund balance (deficit) at July 1, 2006, as restated			<u>(5,037)</u>	
Fund balance at June 30, 2007			<u>\$ 35,847</u>	

Egelston Township  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 Street Light Fund  
 For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 85,057	\$ 85,057	\$ 85,063	\$ 6
Investment earnings	8,500	13,100	13,754	654
Total revenues	93,557	98,157	98,817	660
 <b>EXPENDITURES</b>				
Current				
Public works	102,000	106,600	103,894	2,706
Net change in fund balance	\$ (8,443)	\$ (8,443)	(5,077)	\$ 3,366
Fund balance at July 1, 2006			346,235	
Fund balance at June 30, 2007			\$ 341,158	



**OTHER SUPPLEMENTAL INFORMATION**

Egelston Township  
**COMBINING BALANCE SHEET**  
 Other Governmental Funds  
 June 30, 2007

	<u>Total other governmental funds</u>	<u>Special Revenue</u>	
		<u>Festival</u>	<u>Water Alliance</u>
<b>ASSETS</b>			
Cash and investments	\$ <u>26,360</u>	\$ <u>20,448</u>	\$ <u>5,912</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 16	\$ 16	\$ -
 Fund balances			
Unreserved	<u>26,344</u>	<u>20,432</u>	<u>5,912</u>
Total liabilities and fund balances	\$ <u>26,360</u>	\$ <u>20,448</u>	\$ <u>5,912</u>

Egelston Township  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Other Governmental Funds  
 For the year ended June 30, 2007

	<u>Total other governmental funds</u>	<u>Special Revenue</u>	
		<u>Festival</u>	<u>Water Alliance</u>
<b>REVENUES</b>			
Investment earnings	\$ 776	\$ 706	\$ 70
<b>EXPENDITURES</b>			
Current			
Culture and recreation	191	191	-
Net change in fund balances	585	515	70
Fund balances at July 1, 2006	25,759	19,917	5,842
Fund balances at June 30, 2007	\$ 26,344	\$ 20,432	\$ 5,912

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

December 7, 2007

Township Board  
Egelston Township  
Muskegon, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Egelston Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Egelston Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Egelston Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



## SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: County records for activity for the sewer improvement projects should be regularly obtained and reconciled.

During our audit testing, we noted that County records for the sewer improvement projects were not readily available and therefore were not regularly obtained and reconciled by the Township.

Regularly obtaining and reconciling County records for the sewer improvement projects would help to ensure that funds are being properly spent and accounted for by the County.